

**CHAPTER 1119**  
**EXCISE TAXES ON MOTOR FUEL AND SPECIAL FUEL**  
*S.F. 2403*

**AN ACT** relating to the excise taxes on motor fuel and certain special fuel, and including applicability provisions.

*Be It Enacted by the General Assembly of the State of Iowa:*

Section 1. [Section 452A.3, subsections 1, 2, 3, 4, 5, and 6](#), Code 2020, are amended to read as follows:

1. Except as otherwise provided in [this section](#) and in [this subchapter](#), ~~until June 30, 2020, this subsection~~ shall apply to the excise tax imposed on each gallon of motor fuel used for any purpose for the privilege of operating motor vehicles in this state.

a. An excise tax of thirty cents is imposed on each gallon of motor fuel other than ethanol blended gasoline classified as E-15 or higher.

~~a. b. The~~ On and after July 1, 2026, an excise tax of thirty cents is imposed on each gallon of ethanol blended gasoline classified as E-15 or higher. Before July 1, 2026, the rate of the excise tax on ethanol blended gasoline classified as E-15 or higher shall be based on the number of gallons of ethanol blended gasoline classified as E-15 or higher that is are distributed in this state as expressed as a percentage of the number of gallons of motor fuel distributed in this state, which is referred to as the distribution percentage. For purposes of this ~~subsection~~ paragraph, only ethanol blended gasoline and nonblended gasoline, not including aviation gasoline, shall be used in determining the percentage basis for the excise tax. The department shall determine the percentage basis for each determination period beginning January 1 and ending December 31 based on data from the reports filed pursuant to [section 452A.33](#). The rate for the excise tax shall apply for the period beginning July 1 and ending June 30 following the end of the determination period. Before July 1, 2026, the rate of the excise tax on each gallon of ethanol blended gasoline classified as E-15 or higher shall be as follows:

b. The rate for the excise tax shall be as follows:

(1) If the distribution percentage is not greater than ~~fifty ten~~ percent, the rate shall be ~~twenty-nine~~ twenty-four cents for ethanol blended gasoline and ~~thirty cents~~ for motor fuel other than ethanol blended gasoline.

(2) If the distribution percentage is greater than ~~fifty ten~~ percent but not greater than ~~fifty-five~~ twelve percent, the rate shall be ~~twenty-nine~~ twenty-four and five-tenths cents for ethanol blended gasoline and ~~thirty and one-tenth cents~~ for motor fuel other than ethanol blended gasoline.

(3) If the distribution percentage is greater than ~~fifty-five~~ twelve percent but not greater than ~~sixty~~ fourteen percent, the rate shall be ~~twenty-nine~~ twenty-five cents for ethanol blended gasoline and ~~thirty and three-tenths cents~~ for motor fuel other than ethanol blended gasoline.

(4) If the distribution percentage is greater than ~~sixty~~ fourteen percent but not greater than ~~sixty-five~~ sixteen percent, the rate shall be ~~twenty-nine~~ twenty-five and five-tenths cents for ethanol blended gasoline and ~~thirty and five-tenths cents~~ for motor fuel other than ethanol blended gasoline.

(5) If the distribution percentage is greater than ~~sixty-five~~ sixteen percent but not greater than ~~seventy~~ eighteen percent, the rate shall be ~~twenty-nine~~ twenty-six cents for ethanol blended gasoline and ~~thirty and seven-tenths cents~~ for motor fuel other than ethanol blended gasoline.

(6) If the distribution percentage is greater than ~~seventy~~ eighteen percent but not greater than ~~seventy-five~~ twenty percent, the rate shall be ~~twenty-nine~~ twenty-six and five-tenths cents for ethanol blended gasoline and ~~thirty-one cents~~ for motor fuel other than ethanol blended gasoline.

(7) If the distribution percentage is greater than ~~seventy-five~~ twenty percent but not greater than ~~eighty~~ twenty-two percent, the rate shall be ~~twenty-nine and three-tenths~~ twenty-seven cents for ethanol blended gasoline and ~~thirty and eight-tenths cents~~ for motor fuel other than ethanol blended gasoline.

(8) If the distribution percentage is greater than ~~eighty~~ twenty-two percent but not greater than ~~eighty-five~~ twenty-six percent, the rate shall be ~~twenty-nine~~ twenty-seven and five-tenths cents for ethanol blended gasoline and thirty and seven-tenths cents for motor fuel other than ethanol blended gasoline.

(9) If the distribution percentage is greater than ~~eighty-five~~ twenty-six percent but not greater than ~~ninety~~ thirty-five percent, the rate shall be ~~twenty-nine~~ and seven-tenths twenty-eight cents for ethanol blended gasoline and thirty and four-tenths cents for motor fuel other than ethanol blended gasoline.

(10) If the distribution percentage is greater than ~~ninety~~ thirty-five percent but not greater than ~~ninety-five~~ forty-five percent, the rate shall be ~~twenty-nine~~ and nine-tenths twenty-eight and five-tenths cents for ethanol blended gasoline and thirty and one-tenth cents for motor fuel other than ethanol blended gasoline.

(11) If the distribution percentage is greater than ~~ninety-five~~ forty-five percent but not greater than ~~sixty-five~~ percent, the rate shall be ~~thirty~~ twenty-nine cents for ethanol blended gasoline and thirty cents for motor fuel other than ethanol blended gasoline.

(12) If the distribution percentage is greater than ~~sixty-five~~ percent but not greater than ~~eighty-five~~ percent, the rate shall be twenty-nine and two-tenths cents.

(13) If the distribution percentage is greater than ~~eighty-five~~ percent but not greater than ~~ninety-five~~ percent, the rate shall be twenty-nine and five-tenths cents.

(14) If the distribution percentage is greater than ~~ninety-five~~ percent, the rate shall be thirty cents.

c. The provisions of paragraph “b” and [subsection 6 3](#), paragraph “a”, subparagraph (2), shall be subject to legislative review at least every ~~six~~ five years. The review shall be based upon a fuel distribution percentage formula status report containing the recommendations of a legislative interim committee appointed to conduct a review of the fuel distribution percentage formulas, to be prepared with the assistance of the department of revenue in association with the department of transportation. The report shall include recommendations for changes or revisions to the fuel distribution percentage formulas based upon advances in technology, fuel use trends, and fuel price fluctuations observed during the preceding ~~six-year~~ five-year interval; an analysis of the operation of the fuel distribution percentage formulas during the preceding ~~six-year~~ five-year interval; and a summary of issues that have arisen since the previous review and potential approaches for resolution of those issues. The first such report shall be submitted to the general assembly no later than January 1, 2020, with subsequent reports developed and submitted by January 1 at least every ~~sixth~~ fifth year thereafter.

2. Except as otherwise provided in [this section](#) and in [this subchapter](#), after June 30, 2020, an excise tax of thirty cents is imposed on each gallon of motor fuel used for any purpose for the privilege of operating motor vehicles in this state.

3. An excise tax of seventeen cents is imposed on each gallon of E-85 gasoline, subject to the determination provided in [subsection 4](#).

4. The rate of the excise tax on E-85 gasoline imposed in [subsection 3](#) shall be determined based on the number of gallons of E-85 gasoline that are distributed in this state during the previous calendar year. The department shall determine the actual tax paid for E-85 gasoline for each period beginning January 1 and ending December 31. The amount of the tax paid on E-85 gasoline during the past calendar year shall be compared to the amount of tax on E-85 gasoline that would have been paid using the tax rate for gasoline imposed in [subsection 1 or 2](#) and a difference shall be established. If this difference is equal to or greater than twenty-five thousand dollars, the tax rate for E-85 gasoline for the period beginning July 1 following the end of the determination period shall be the rate in effect as stated in [subsection 1 or 2](#).

5. 2. For the privilege of operating aircraft in this state an excise tax of eight cents per gallon is imposed on the use of all aviation gasoline.

6. 3. a. For the privilege of operating motor vehicles or aircraft in this state, there is imposed an excise tax on the use of special fuel in a motor vehicle or aircraft.

(1) Except as otherwise provided in [this section](#) and in [this subchapter](#), ~~for the period ending June 30, 2015, and for the period beginning July 1, 2020, and thereafter, the rate of the excise tax rate on each gallon of special fuel for diesel engines of motor vehicles used for~~

any purpose for the privilege of operating motor vehicles in this state, other than biodiesel blended fuel classified as B-11 or higher, is thirty-two and five-tenths cents per gallon.

(2) Except as otherwise provided in [this section](#) and in [this subchapter](#), for the period beginning July 1, 2015, and ending June 30, 2020, this subparagraph shall apply to the excise tax imposed on each gallon of special fuel for diesel engines of motor vehicles biodiesel blended fuel classified as B-11 or higher used for any purpose for the privilege of operating motor vehicles in this state. ~~The~~ On and after July 1, 2026, the rate of the excise tax on each gallon of biodiesel blended fuel classified as B-11 or higher is thirty-two and five-tenths cents. Before July 1, 2026, the rate of the excise tax shall be based on the number of gallons of biodiesel blended fuel classified as B-11 or higher that is distributed in this state as expressed as a percentage of the number of gallons of special fuel for diesel engines of motor vehicles distributed in this state, which is referred to as the distribution percentage. The department shall determine the percentage basis for each determination period beginning January 1 and ending December 31 based on data from the reports filed pursuant to [section 452A.33](#). The rate ~~for~~ of the excise tax shall apply for the period beginning July 1 and ending June 30 following the end of the determination period. ~~The~~ Before July 1, 2026, the rate ~~for~~ of the excise tax on each gallon of biodiesel blended fuel classified as B-11 or higher shall be as follows:

(a) If the distribution percentage is not greater than fifty percent, the rate shall be twenty-nine and five-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(b) If the distribution percentage is greater than fifty percent but not greater than fifty-five percent, the rate shall be twenty-nine and eight-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(c) If the distribution percentage is greater than fifty-five percent but not greater than sixty percent, the rate shall be thirty and one-tenth cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(d) If the distribution percentage is greater than sixty percent but not greater than sixty-five percent, the rate shall be thirty and four-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(e) If the distribution percentage is greater than sixty-five percent but not greater than seventy percent, the rate shall be thirty and seven-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(f) If the distribution percentage is greater than seventy percent but not greater than seventy-five percent, the rate shall be thirty-one cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(g) If the distribution percentage is greater than seventy-five percent but not greater than eighty percent, the rate shall be thirty-one and three-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(h) If the distribution percentage is greater than eighty percent but not greater than eighty-five percent, the rate shall be thirty-one and six-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(i) If the distribution percentage is greater than eighty-five percent but not greater than ninety percent, the rate shall be thirty-one and nine-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(j) If the distribution percentage is greater than ninety percent but not greater than ninety-five percent, the rate shall be thirty-two and two-tenths cents for biodiesel blended

fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(k) If the distribution percentage is greater than ninety-five percent, the rate shall be thirty-two and five-tenths cents for biodiesel blended fuel classified as B-11 or higher and thirty-two and five-tenths cents for special fuel for diesel engines of motor vehicles other than biodiesel blended fuel classified as B-11 or higher.

(3) The rate of the excise tax on special fuel for aircraft is five cents per gallon.

(4) On all other special fuel, unless otherwise specified in [this section](#), the per gallon rate of the excise tax is the same as the motor fuel tax under [subsection 1](#).

b. Indelible dye meeting United States environmental protection agency and internal revenue service regulations must be added to fuel before or upon withdrawal at a terminal or refinery rack for that fuel to be exempt from tax and the dyed fuel may be used only for an exempt purpose.

Sec. 2. [Section 452A.31, subsection 2](#), paragraph a, subparagraph (1), Code 2020, is amended by adding the following new subparagraph division:

NEW SUBPARAGRAPH DIVISION. (c) The total E-15 gasoline gallonage which is the total number of gallons of ethanol blended gasoline classified as E-15 or higher, including E-85 gasoline.

Sec. 3. [Section 452A.31, subsection 3](#), paragraph a, Code 2020, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (02) The total B-11 gallonage which is the total number of gallons of biodiesel blended fuel classified as B-11 or higher.

Sec. 4. [Section 452A.31, subsection 4](#), paragraph a, subparagraph (1), Code 2020, is amended by adding the following new subparagraph division:

NEW SUBPARAGRAPH DIVISION. (c) The aggregate E-15 gasoline gallonage which is the aggregate total number of gallons of ethanol blended gasoline classified as E-15 or higher, including E-85 gasoline.

Sec. 5. [Section 452A.31, subsection 5](#), paragraph a, Code 2020, is amended by adding the following new subparagraph:

NEW SUBPARAGRAPH. (02) The aggregate B-11 gallonage which is the aggregate total number of gallons of biodiesel blended fuel classified as B-11 or higher.

Sec. 6. APPLICABILITY. The provision of the section of this Act amending [section 452A.3](#) to require the department of revenue to determine the percentage basis for each determination period beginning January 1 and ending December 31 based on data from the reports filed pursuant to [section 452A.33](#) for purposes of the excise tax on biodiesel blended fuel classified as B-11 or higher applies to the determination period beginning January 1, 2021, and to each determination period thereafter, for the rate of the excise tax on each gallon of biodiesel blended fuel classified as B-11 or higher beginning July 1, 2021.

Approved June 30, 2020